

Message Text

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ACTION EB-08

INFO OCT-02 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 AF-10 ARA-10 EA-10 EUR-12
NEA-10 IO-13 OIC-02 AGRE-00 CEA-01 COME-00 FRB-03
H-01 INR-07 INT-05 L-03 LAB-04 PA-01 CTME-00
AID-05 SS-15 STR-06 ITC-01 TRSE-00 PRS-01 SP-02
SOE-02 OMB-01 DOE-11 STRE-00 /145 W
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FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 5110
INFO AMEMBASSY BERN
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USMTN

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E.O. 11652: N/A
TAGS: ETRD, MTN, SZ
SUBJECT: STRAUSS/JOLLES MEETING

1. THE STRAUSS PARTY MET WITH AMBASSADORS JOLLES AND DUNKEL OF SWITZERLAND BRIEFLY DURING HIS VISIT TO GENEVA THIS WEEK. ALTHOUGH TRADE RELATIONS BETWEEN OUR TWO COUNTRIES ARE GENERALLY EXCELLENT AND OUR OVERALL POSITIONS SIMILAR ON THE MTN, THE TONE OF THIS MEETING WAS MUCH MORE STRAINED THAN USUAL BECAUSE OF ITS CANDID NATURE AND THE FACT THAT THE U.S. HAD LITTLE GOOD NEWS FOR THE SWISS AT THIS STAGE OF THE NEGOTIATIONS.

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2. THE MAJOR SWISS CONCERN IS THE VALUE OF THE DOLLAR AND WHAT THEY VIEW STILL TO BE A VERY LAX POSITION BY THE U.S. IN MAINTAINING A REALISTIC VALUE FOR ITS CURRENCY. ALTHOUGH JOLLES CONTENDED THAT HE IS NO EXPERT ON THE MATTER, HE SAID HIS EXPERTS FROM THE SWISS NATIONAL BANK FELT THE U.S. COULD HAVE HAD AND COULD STILL DO A GREAT

DEAL WITH VERY LIMITED ACTIVITY ON SWISS FRANCS. ALTHOUGH HE DID NOT SPELL OUT THE DETAILS, IT SEEMED TO BE IMPLICIT IN HIS COMMENTS THAT THIS ACTIVITY WOULD BE DONE IN CLOSE COLLABORATION WITH THEIR NATIONAL BANK FROM SWITZERLAND. JOLLES REITERATED SEVERAL TIMES THAT THE RAPID SHIFT IN VALUE BETWEEN THE SWISS FRANC AND THE DOLLAR OVER THE LAST FEW MONTHS HAS NEGATIVELY INFLUENCED SWITZERLAND'S ATTITUDE ON LIBERALIZED TRADE. HE ALSO ASKED STRAUSS NOT TO BE OFFENDED BECAUSE THE IMPORTANCE OF MONETARY STABILITY AND THE MAINTENANCE OF REALISTIC RELATIVE VALUES BETWEEN CURRENCIES WOULD HAVE TO BE SOUR NOTES JOLLES WOULD HAVE TO BRING FORWARD IN HIS REMARKS BEFORE THE GATT INFORMAL GENERAL MEETING.

3. THE SWISS WERE VISIBLY SHAKEN BY THE NEWS THAT THE U.S. OFFER WOULD INCLUDE ONLY A 15 PERCENT REDUCTION IN TARIFFS ON WATCHES, ABOUT ONE-THIRD OF THE OVERALL WEIGHTED REDUCTION OF THE U.S. OFFER. THEY WERE NOTICEABLY RELIEVED WHEN STRAUSS INDICATED THAT DURING THE COURSE OF OUR CONTINUING BILATERAL THIS FIGURE COULD BE CONSIDERED NEGOTIABLE. THEY CLEARLY INDICATED IT WAS NOT SOMETHING THEY COULD LIVE WITH AT THE END OF NEGOTIATIONS AND STILL MAINTAIN A FULL SWISS CUT AS CURRENTLY BEING OFFERED WITHOUT EXCEPTIONS. JOLLES REITERATED THE IMPORTANCE OF THE WATCH INDUSTRY TO SWITZERLAND AND THE COLLECTIVE IMPACT OF THE WATCH INDUSTRY AND BANKERS ON LIMITED OFFICIAL USE

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OVERALL GOVERNMENT ECONOMIC POLICY.

4. AMBASSADOR DUNKEL APPROACHED MCDONALD FOR AN ASIDE CONVERSATION LATER THAT EVENING, REEMPHASIZING HOW IMPORTANT IT IS FOR SWITZERLAND THAT THE U.S. COME ACROSS WITH AN IMPROVEMENT IN ITS WATCH OFFER. AT THE SAME TIME, HE CAUTIONED AGAINST TOO STRONG A LEAD ON AGRICULTURE AS OUR FIRST NEGOTIATING THRUST, SUGGESTING THAT WE COULD ABSOLUTELY OVERWHELM THEM IF THE BANKERS, THE WATCHMAKERS, AND THE FARMERS GET TOGETHER IN A NEGATIVE BLOCK OPPOSED TO THE NEGOTIATIONS. HIS REMARKS WOULD INDICATE, HOWEVER, THAT TOWARD THE END OF THE DAY WE MIGHT BE ABLE TO COME UP WITH SOME MORE INTERESTING AGRICULTURAL POSSIBILITIES.

5. CABLE DRAFTED AFTER DEPARTURE OF AMBASSADOR STRAUSS.
MCDONALD

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